

AMENDED IN SENATE APRIL 25, 2000

SENATE BILL

No. 2103

Introduced by Senator Morrow

February 25, 2000

An act to add ~~Sections 14161.1 and 14170.9~~ *Section 14161.1* to the Welfare and Institutions Code, relating to Medi-Cal.

LEGISLATIVE COUNSEL'S DIGEST

SB 2103, as amended, Morrow. Medi-Cal: fiscal and accounting procedures.

Existing law requires carriers and providers of Medi-Cal benefits to be required to utilize uniform accounting and cost reporting systems as developed and adopted by the department. Existing law further requires carriers and providers of Medi-Cal benefits to provide cost information to the State Department of Health Services as is necessary in order to conduct studies to determine payment for Medi-Cal services. Existing law provides that amounts paid for services provided to Medi-Cal beneficiaries shall be audited by the department in a specified manner.

This bill would require the department to convene a workgroup to review specified cost reporting and auditing provisions, *as well as the qualifications and training requirements for cost report preparers and auditors*. The bill would require the workgroup to include representatives of the department, the Office of Statewide Health Planning and Development, and other specified groups. The bill would require the workgroup to submit its findings and

recommendations to the Legislature on or before January 1, 2002.

~~This bill would also require the department to develop and establish cost report preparation and auditor certification requirements, as specified, and would prohibit the Office of Statewide Health Planning and Development to accept any cost report or related information from any individual who fails to meet the certification requirements.~~

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares all of
2 the following:

3 (a) California's current cost reporting and audit
4 process for long-term health care facilities is nearly 30
5 years old.

6 (b) In the last 30 years, patient demographics in
7 long-term care have changed considerably, significant
8 advancements have been made in the level of care
9 provided in a long-term care setting, and dramatic
10 changes have occurred in information technology and
11 cost accounting practices.

12 (c) It is the intent of the Legislature that cost reports
13 filed by long-term care health facilities be complete,
14 consistent, and as accurate as possible, and that the
15 current cost reporting and audit process be reviewed and
16 updated to ensure consistency with contemporary
17 professional accounting standards.

18 SEC. 2. Section 14161.1 is added to the Welfare and
19 Institutions Code, to read:

20 14161.1. (a) (1) Effective January 1, 2001, the State
21 Department of Health Services and the Office of
22 Statewide Health Planning and Development shall
23 convene a joint workgroup to review the cost reporting
24 process identified in Section 14161, the audit process
25 identified in Section 14170, and other applicable cost
26 reporting and auditing provisions.

(2) The workgroup shall include representatives from the department, the office, long-term health care providers, employees, residents, and other knowledgeable groups.

(b) The workgroup shall review the procedural reporting, cost finding, and audit validation structure, including, but not limited to, the following:

(1) The methods used in preparing facility cost data reported in the integrated long-term care disclosure and Medi-Cal cost report required by Section 128730 of the Health and Safety Code, the methods used by the department in auditing cost reports and the methods used by the department to establish Medi-Cal rates. An agency independent from the State Department of Health Services may be used in accordance with this paragraph.

(2) The advancements and changes made in the last 30 years in information technology, cost accounting practice, and in the level of care provided in today's long-term care industry, as well as changes in long-term care patient demographics.

(3) Medicare reimbursement principles utilized by the department to determine reasonable allowable costs as specified in Part 413 of Title 42 of the Code of Federal Regulations, including audit validation guidelines and other related procedures.

(c) The workgroup shall make recommendations on improving the procedural reporting, cost finding, and audit validation structure, including, but not limited to, the following:

(1) Updating the current processes to account for the factors identified in _____, and to meet contemporary professional accounting standards.

(2) Continued application of the specific principles identified in _____.

(3) Potential new screening procedures to edit and audit submitted data for data errors prior to acceptance.

(4) Technology available to eliminate the risk of human error and streamline the cost reporting and audit

1 process, including recommending deadlines for
2 implementation.

3 (5) Continued use of existing practices, and
4 identification of new practices, forms, technology, or data
5 reporting tools that should be added to improve the cost
6 reporting and audit process.

7 (6) Specific information requirements of long-term
8 care policymakers and methods of presenting cost
9 reporting and audit information in a user friendly format.

10 (7) Medi-Cal rate setting procedures for long-term
11 care facilities.

12 (d) *The workgroup shall review the current*
13 *qualifications and training requirements, including*
14 *continuing education requirements, for cost-report*
15 *preparers who report long-term care financial, cost, and*
16 *operational information required under Section 14161*
17 *and auditors with responsibility for performing long-term*
18 *care cost report audits required under Section 14170. The*
19 *workgroup may consider developing a certification*
20 *process for cost reporters and auditors described in this*
21 *subdivision.*

22 (e) The workgroup shall submit its findings and
23 recommendations of the workgroup to the Legislature on
24 or before January 1, 2002.

25 ~~SEC. 3. Section 14170.9 is added to the Welfare and~~
26 ~~Institutions Code, to read:~~

27 ~~14170.9. (a) It is the intent of the Legislature that~~
28 ~~long-term care cost report preparers and auditors with~~
29 ~~responsibility for performing long term care cost report~~
30 ~~audits shall have the proper education, background, and~~
31 ~~training necessary to ensure the accuracy and adequacy~~
32 ~~of the financial cost information they submit to the~~
33 ~~department.~~

34 ~~(b) The department shall develop and establish~~
35 ~~qualifications and mandatory training requirements,~~
36 ~~including continuing education requirements, for cost~~
37 ~~report preparers who prepare and report long-term care~~
38 ~~financial, cost, and operational information required~~
39 ~~under Section 14161 and auditors with responsibility for~~

~~performing long-term care cost report audits required under Section 14170.~~

~~(e) All cost reports identified in subdivision (b) shall be prepared and signed by a cost report preparer who has successfully completed the mandatory training required under this section.~~

~~(d) Audits identified in subdivision (b) shall be performed only by individuals who have successfully completed the mandatory training required under this section.~~

~~(e) The department shall develop a certification program requiring a minimum of 40 hours of classroom instruction that provides training on a uniform core of knowledge in each of the following areas:~~

~~(1) A minimum of eight hours in basic cost accounting principles.~~

~~(2) A minimum of eight hours in principles of long-term care facility operations and costs.~~

~~(3) A minimum of sixteen hours in long-term care basic cost report concepts.~~

~~(4) A minimum of eight hours in an annual cost report basic training course.~~

~~(f) In addition to the certification requirements of subdivision (e), auditors with responsibility for performing long-term care cost report audits shall be required to complete an additional 40 hours of classroom instruction in each of the following core areas:~~

~~(1) Eight hours in auditing concepts and methods.~~

~~(2) Eight hours in generally accepted government auditing standards (GAGAS).~~

~~(3) Twenty-four hours in applicability of Medicare reimbursement principles to long-term care rate setting.~~

~~(g) (1) The department shall permit limited exemptions and grandfathering provisions for the qualifications of cost reporters and auditors under this section, but the mandatory training and continuing education requirements of this section shall apply to all cost report preparers and auditors.~~

~~(2) Individuals seeking exemptions to the requirements of this section shall be licensed as certified~~

~~1 public accountants or shall meet the minimum civil
2 service qualifications for the State Auditor personnel
3 classification series.~~

~~4 (h) Unless exempted under subdivision (g),
5 individuals applying for certification under this section
6 shall successfully complete the approved certification
7 program, pass a written test administered by the
8 department within 60 days of completing the program,
9 and submit prescribed documentation required by the
10 department within 30 days of being notified of having
11 passed the test. The department may extend these time
12 deadlines for good cause. The department shall notify the
13 applicant of his or her test results within 30 days of
14 administering the test.~~

~~15 (i) A certificate shall not be issued until the
16 department receives all of the following:~~

~~17 (1) A certificate of completion of the training required
18 pursuant to this section.~~

~~19 (2) The fee required for issuance of the certificate. An
20 applicant shall be charged a fee of one hundred dollars
21 (\$100) to cover the costs of processing the application for
22 certification. Individuals employed by the state and
23 performing long-term care audit duties are exempt from
24 paying the one hundred dollar (\$100) certification fee.~~

~~25 (3) Documentation of qualifying for an exemption
26 pursuant to subdivision (g), or of passing the written test
27 pursuant to subdivision (h).~~

~~28 (j) (1) Certificates issued under this section shall be
29 renewed every two years. Renewal shall be conditional
30 upon the certificate holder submitting documentation of
31 completion of 16 hours of continuing education related to
32 the core of knowledge specified in subdivision (c).~~

~~33 (2) Certificates issued under this section shall expire
34 every two years, on the anniversary date of the initial
35 issuance of the certificate. The department shall send a
36 renewal notice to the certificate holder 90 days prior to
37 the expiration date of the certificate. If the certificate is
38 not renewed prior to its expiration date, reinstatement
39 shall be permitted after the certificate holder has paid a
40 delinquency fee equal to three times the renewal fee, and~~

1 ~~has provided evidence of completion of the continuing~~
2 ~~education required.~~

3 ~~(3) On or before the certificate expiration date, the~~
4 ~~certificate holder shall request renewal by submitting to~~
5 ~~the department documentation of completion of the~~
6 ~~required continuing education course, and pay the~~
7 ~~renewal fee of one hundred dollars (\$100), irrespective of~~
8 ~~receipt of the department's notification of the renewal. A~~
9 ~~renewal request postmarked on or before the expiration~~
10 ~~of the certificate is proof of compliance with this~~
11 ~~subdivision.~~

12 ~~(4) A certificate that is not renewed within four years~~
13 ~~after its expiration shall not be renewed, restored,~~
14 ~~reissued, or reinstated except upon completion of a~~
15 ~~certification program, passing any test that may be~~
16 ~~required of an applicant for a new certificate at that time,~~
17 ~~and paying the appropriate fees provided for in this~~
18 ~~section.~~

19 ~~(k) A fee of twenty-five dollars (\$25) shall be charged~~
20 ~~for the reissuance of a lost certificate.~~

21 ~~(l) The Office of Statewide Health Planning and~~
22 ~~Development may not accept any cost report or related~~
23 ~~information from any individual who fails to meet the~~
24 ~~requirements of this section.~~